

**REPORT OF THE AUDIT OF THE
JACKSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JACKSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Jackson County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$214,198 from the beginning of the year, resulting in a cash surplus of \$345,725 as of June 30, 2002.

Debt Obligations:

Capital lease principal agreements totaled \$324,708 as of June 30, 2002. Future principal and interest payments of \$340,003 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tommy Slone, Jackson County Judge/Executive

Members of the Jackson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Jackson County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Jackson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Jackson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Jackson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2003, on our consideration of Jackson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Jackson County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 14, 2003

JACKSON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Tommy Slone	County Judge/Executive
Leon Bingham	Magistrate
Vestor Rose	Magistrate
Chad Vaughn	Magistrate

Other Elected Officials:

George T. Hays	County Attorney
Ronnie Gabbard	Jailer
Jerry Dean	County Clerk
Bobby G. Morris	Circuit Court Clerk
Tim Fee	Sheriff
Paul N. Rose	Property Valuation Administrator
Murrell Lakes	Coroner

Appointed Personnel:

Patricia Gabbard	County Treasurer
William Gay	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

JACKSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 278,844	\$ 67,139	\$ 345,983
Total Assets	\$ 278,844	\$ 67,139	\$ 345,983
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:			
Capital Leases	\$ 324,708	\$	\$ 324,708
Loan Payments	1,261,675		1,261,675
Total Other Resources	\$ 1,586,383	\$ 0	\$ 1,586,383
Total Assets and Other Resources	<u>\$ 1,865,227</u>	<u>\$ 67,139</u>	<u>\$ 1,932,366</u>

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Payroll Liabilities	\$ 258	\$	\$ 258
Capital Leases (Note 4)	324,708		324,708
Loan Payable (Note 5)	<u>1,261,675</u>		<u>1,261,675</u>
Total Liabilities	<u>\$ 1,586,641</u>	<u>\$ 0</u>	<u>\$ 1,586,641</u>
<u>Equity</u>			
Fund Balances:			
Reserved	\$ 30,015	\$ 67,139	\$ 97,154
Unreserved	<u>248,571</u>		<u>248,571</u>
Total Equity	<u>\$ 278,586</u>	<u>\$ 67,139</u>	<u>\$ 345,725</u>
Total Liabilities and Equity	<u>\$ 1,865,227</u>	<u>\$ 67,139</u>	<u>\$ 1,932,366</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

JACKSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,452,532	\$ 1,238,762	\$ 782,596	\$ 60,873
Other Financing Sources:				
Transfers In	301,912	79,234		210,000
Lease Proceeds	255,000	255,000		
Total Cash Receipts	<u>\$ 3,009,444</u>	<u>\$ 1,572,996</u>	<u>\$ 782,596</u>	<u>\$ 270,873</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,446,553	\$ 1,247,412	\$ 609,922	\$ 269,113
Schedule of Recreation and Parks Fund Expenditures	18,488			
Capital Lease Principal	28,293	14,681	13,612	
Transfers Out	301,912	222,678	79,234	
Total Cash Disbursements	<u>\$ 2,795,246</u>	<u>\$ 1,484,771</u>	<u>\$ 702,768</u>	<u>\$ 269,113</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 214,198	\$ 88,225	\$ 79,828	\$ 1,760
Cash Balance - July 1, 2000	<u>131,527</u>	<u>60,311</u>	<u>4,665</u>	<u>3,501</u>
Cash Balance - June 30, 2001	<u>\$ 345,725</u>	<u>\$ 148,536</u>	<u>\$ 84,493</u>	<u>\$ 5,261</u>

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

General Fund Type				Special Revenue Fund Type	
Local Government Economic Assistance Fund	Forestry Fund	Transfer Station Fund	City of Annnville Fund	DES Fund	Recreation and Parks Fund
\$ 33,405	\$ 2,144	\$ 227,054	\$ 35	\$ 90,511	\$ 17,152
10,000				2,678	
<u>\$ 43,405</u>	<u>\$ 2,144</u>	<u>\$ 227,054</u>	<u>\$ 35</u>	<u>\$ 93,189</u>	<u>\$ 17,152</u>
\$ 36,330	\$ 2,405	\$ 223,777	\$ 1,757	\$ 55,837	\$
					18,488
<u>\$ 36,330</u>	<u>\$ 2,405</u>	<u>\$ 223,777</u>	<u>\$ 1,757</u>	<u>\$ 55,837</u>	<u>\$ 18,488</u>
\$ 7,075	\$ (261)	\$ 3,277	\$ (1,722)	\$ 37,352	\$ (1,336)
3,206	457	26,542	1,722	18,962	12,161
<u>\$ 10,281</u>	<u>\$ 196</u>	<u>\$ 29,819</u>	<u>\$ 0</u>	<u>\$ 56,314</u>	<u>\$ 10,825</u>

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Jackson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jackson County Recreation and Parks Board as part of the reporting entity.

The Jackson County Recreation and Parks Board is established for the purpose of maintaining and overseeing the day-to-day operations of the county parks. The Jackson County Fiscal Court is financially accountable for the Board; therefore, management must include the Board as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Jackson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Jackson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Jackson County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Jackson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Transfer Station Fund, and the City of Annville Fund.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Jackson County Special Revenue Fund Type includes the following county funds: DES Fund and Recreation and Parks Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Jackson County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Recreation and Parks Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Jointly Governed Organizations

The Jackson County McKee Industrial Development Authority, whose purpose is to acquire and develop industrial sites and plants for the community, is a joint board of the County and City. The County Judge/Executive with the approval of the fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The County has no equity interest. The County did not contribute any funds to the Jackson County McKee Industrial Development Authority for the year ended June 30, 2002.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 3. Deposits (Continued)

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Capital Lease Agreements

- A. During May 2000, the Jackson County Fiscal Court entered into a 4-year leasing agreement with Caterpillar Financial Services for a loader. Principal payments are due monthly.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 1,520	\$ 15,954
2004	434	14,128
Totals	<u>\$ 1,954</u>	<u>\$ 30,082</u>

- B. During August 2000, the Jackson County Fiscal Court entered into a 3-year leasing agreement with the Baystone Financial Group for an ambulance. Principal payments are due monthly.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 857	\$ 13,300
2004	109	6,326
Totals	<u>\$ 966</u>	<u>\$ 19,626</u>

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Capital Lease Agreements (Continued)

- C. During July 2001, the Jackson County Fiscal Court entered into a 2-year leasing agreement with the Kentucky Area Development District Financing Trust for the purchase of land. Interest payments are due semi-annually by November 20 and May 20. The principal amount of \$275,000 is due in full on May 20, 2003.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	<u>\$ 12,375</u>	<u>\$ 275,000</u>
Totals	<u>\$ 12,375</u>	<u>\$ 275,000</u>

Total capital lease obligations of the Jackson County Fiscal Court as of June 30, 2002 are \$324,708.

Note 5. Loan Payable

In October 1993, the county obtained a Water Resources Loan from the Kentucky Infrastructure Authority (KIA) on behalf of the Jackson County Water Association. The loan was to provide for two 100,000-gallon storage tanks, two pump stations, modifications of two existing pump stations, telemetry for these systems, and 19.8 miles of water distribution lines to serve 253 new customers. Although the county borrowed on behalf of the Jackson County Water Association, the Water Association is responsible for maintaining the expansion improvements, collecting related water revenues, and making the debt service payments. The total loan amount was \$1,792,633 and is to be paid over a period of 20 years at an interest rate of 2.45% per year beginning December 1, 1995. Debt service payments are due from the Water Association on December 1 and June 1. As of June 30, 2002, the Jackson County Water Association was in compliance with the terms of the loan and the outstanding principal balance was \$1,261,675.

Note 6. Insurance

For the fiscal year ended June 30, 2002, Jackson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

JACKSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,717,124	\$ 1,238,762	\$ (478,362)
Road and Bridge Fund	774,376	782,596	8,220
Jail Fund	58,491	60,873	2,382
Local Government Economic Assistance Fund	38,150	33,405	(4,745)
Forest Fire Fund	2,000	2,144	144
Landfill Fund	212,500	227,054	14,554
City of Annville Fund		35	35
<u>Special Revenue Fund Type</u>			
DES Grant Fund	40,000	90,511	50,511
Federal Grants Fund	970,000		(970,000)
Totals	<u>\$ 3,812,641</u>	<u>\$ 2,435,380</u>	<u>\$ (1,377,261)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,812,641
Add: Budgeted Prior Year Surplus			153,400
Less: Other Financing Uses			<u>(28,293)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,937,748</u>

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SCHEDULE OF OPERATING REVENUE

JACKSON COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 586,488	\$ 586,488	\$
In Lieu Tax Payments	229,302	229,302	
Excess Fees	31,760	31,760	
Intergovernmental Revenues	1,317,435	1,226,924	90,511
Charges for Services	238,432	238,432	
Miscellaneous Revenues	17,607	455	17,152
Interest Earned	31,508	31,508	
Total Operating Revenue	<u>\$ 2,452,532</u>	<u>\$ 2,344,869</u>	<u>\$ 107,663</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

JACKSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 365,999	\$ 355,227	\$ 10,772
Protection to Persons and Property	479,594	439,085	40,509
General Health and Sanitation	1,840,306	574,511	1,265,795
Social Services	2,500	2,500	
Recreation and Culture	47,000	26,547	20,453
Roads	537,002	477,575	59,427
Debt Service	5,388	2,625	2,763
Capital Projects	241,650	215,709	25,941
Administration	353,309	295,180	58,129
 TOTAL OPERATING BUDGET - GENERAL FUND TYPE	 \$ 3,872,748	 \$ 2,388,959	 \$ 1,483,789
Other Financing Uses:			
Capital Lease Agreements			
Principal on Leases	\$ 28,293	\$ 28,293	\$
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 3,901,041	 \$ 2,417,252	 \$ 1,483,789

JACKSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

<u>Expenditure Categories</u>	<u>SPECIAL REVENUE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	<u>\$ 65,000</u>	<u>\$ 57,594</u>	<u>\$ 7,406</u>
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u><u>\$ 65,000</u></u>	<u><u>\$ 57,594</u></u>	<u><u>\$ 7,406</u></u>

SCHEDULE OF RECREATION AND PARKS FUND EXPENDITURES

JACKSON COUNTY
SCHEDULE OF RECREATION AND PARKS FUND EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	
Utilities	\$ 3,553
Grounds Maintenance	1,403
Supplies	2,774
Dues	115
Miscellaneous	238
Repairs	1,184
Rentals	220
Equipment	<u>9,001</u>
Totals	<u>\$ 18,488</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
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Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Jackson County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 14, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tommy Slone, Jackson County Judge/Executive

Members of the Jackson County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Jackson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Jackson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jackson County's compliance with those requirements.

In our opinion, Jackson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 14, 2003

FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Jackson County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Jackson County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Jackson County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Jackson County reported in Part C of this schedule.
7. The program tested as major programs was: Pride Grant
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Jackson County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

- The County Should Spend 30% Of Coal Production Receipts On Roads - This was corrected during fiscal year 2002

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Commerce</u>		
National Oceanic and Atmospheric Administration		
Pride Grant (CFDA #11.469)	Not Available	\$ 309,134
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary (CFDA #83.503)	Not Available	8,712
Chemical Stockpile Emergency Preparedness Program (CFDA #83.549)	M-02183697	<u>114,688</u>
Total Cash Expenditures of Federal Awards		<u>\$ 432,534</u>

JACKSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jackson County, Kentucky and is presented on the modified cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local, Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

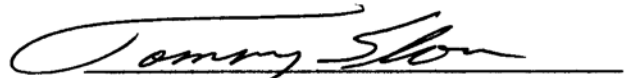
JACKSON COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

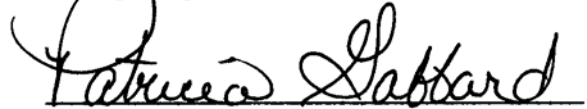
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JACKSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Jackson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Tommy Slope
County Judge/Executive



Patricia Gabbard
County Treasurer

